

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7695

BILL NUMBER: HB 1962

DATE PREPARED: Jan 13, 2001

BILL AMENDED:

SUBJECT: Skills 2016 Worker Training Program.

FISCAL ANALYST: Chuck Mayfield

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill reduces the unemployment tax rates by 10%. It establishes the Skills 2016 Training Program to be funded by a 0.06% assessment upon wages and to be administered by the Department of Workforce Development. The bill establishes the Skills 2016 Training Fund to be used for the administration of the Skills 2016 Training Program. It also makes conforming amendments.

Effective Date: January 1, 2002.

Explanation of State Expenditures: The bill establishes the Skills 2016 Training Program to do the following:

1. Improve manufacturing productivity levels in Indiana.
2. Enable firms to become competitive by making workers more productive through training.
3. Create a competitive economy by creating and retaining jobs.
4. Encourage the increased training necessary because of an aging workforce.
5. Avoid potential payment of unemployment compensation by providing workers with enhanced job skills.
6. Ensure that the Department has the proper technology and training necessary to facilitate a changing workforce.

The program is funded by a 0.06% assessment upon wages. The assessment would generate about \$11 M.

Explanation of State Revenues: The bill reduces the contribution rate schedules for employers with merit rating by 10% and with a penalty rating by 10%, or the lowest amount allowed under federal law. The tax revenue for the Unemployment Insurance Benefit Fund was \$300,347,379 for FY 2000. A 10% reduction in the rates would reduce revenue by between \$14 and \$38 M per year, depending on the schedule that is used. The fund has four rate schedules that may be used, depending on the ratio of the balance in the fund to the total payroll. (Schedule D, the lowest rate, is used when the ratio is greater than 2.25%. The reduction in revenue would be about \$14 M for this schedule.).

The State of Indiana is self-insured for unemployment benefits and pays claims as they occur. Consequently, the reduction in rates would not affect the state.

The 0.06% assessment for the Skills 2016 Training Fund would generate about \$11 M annually.

Explanation of Local Expenditures: The impact on a local unit of government will be as an employer.

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development and all State Agencies.

Local Agencies Affected: All.

Information Sources: Charles Mazza, Department of Workforce Development, (317)232-7460.